No. 16-1011

In the
Supreme Court of the United States

WESTERNGECO LLC,

Petitioner,

v.

ION GEOPHYSICAL CORPORATION,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONER

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REPLY BRIEF

This Court granted certiorari to consider whether damages are available for the lost foreign sales that result from the domestic act of infringement prohibited by §271(f) of the Patent Act. Congress enacted §271(f) to close the loophole created by this Court's decision in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), and Congress did so by making supplying components of a patented article from the United States for intended combination abroad a prohibited act of domestic infringement. To limit the recovery available to a victim of such domestic infringement because the intended *foreign* combination and associated lost sales take place *abroad* makes no sense and would reopen the very loophole Congress sought to close.

ION has remarkably little to say about the question presented or Congress' evident intent in enacting in §271(f). Instead, ION literally attempts to rewrite the question presented (at I, 25) to focus on the Patent Act's damages provision and to omit any reference to §271(f). ION then bases virtually its entire extraterritoriality argument on the demonstrably incorrect premise that the injury here occurred abroad. In fact, consistent with Congress' deliberate decision in §271(f) to protect a U.S. patent holder from a particular form of domestic infringement (albeit one with foreseeable consequences abroad), the *injury* or invasion of a legally protected interest in a §271(f) action occurs domestically, with the measure of *damages* often reflecting the consequences of the intended foreign combination. Injury and damages are not the same

thing, and by conflating the two, ION spends much of its brief addressing the wrong thing—namely, a foreign injury case. The question here is whether the presumption against extraterritoriality limits the damages available for a domestic injury inflicted by a domestic act of infringement of a U.S. patent. No case supports the application of the presumption in that context, and this Court's patent cases going back over a century make clear that the lost profits caused by a domestic act of infringement are recoverable damages whether the foregone sales would have occurred in Montana or Manitoba.

ION's effort to focus exclusively on §284 fails on its own terms. No case of this Court applies the presumption to a damages provision, and expecting a damages provision to independently express a clear intent to allow "foreign damages" is to look for the wrong thing in the wrong place. ION has no answer for the numerous statutes that combine an express extraterritorial liability provision with a generic damages provision. Moreover, as the Solicitor General points out, the "focus" of §284 is to provide a complete remedy for a domestic act of infringement.

ION's demand for an express statement of extraterritorial intent within the four corners of §284 would plainly frustrate Congress' intent in enacting §271(f). Congress responded to *Deepsouth* by prohibiting a domestic act with intended foreign consequences. Limiting damages foreseeably caused by that domestic act because the intended foreign combination occurred abroad makes nonsense of Congress' effort.

I. ION Does Not Dispute That The Text Of §271(f) And §284 Promises A Full Recovery.

Despite its fervent defense of the Federal Circuit's holding, ION never actually disputes that, under the plain text of §271(f) and §284, a patent holder bringing an infringement action is entitled to recover damages, including lost profits, reasonably and foreseeably caused by the defendant's infringement. Nor, given §271(f)'s focus, would there be anything surprising about the lost profits stemming in part from the induced or intended combination of components *abroad*. After all, Congress enacted §271(f) to close the *Deepsouth* loophole and made an induced or intended foreign combination of the components an element of the infringement. To be sure, as ION acknowledges (at 5, 27), Congress did not directly prohibit the foreign combination. Rather, Congress prohibited a domestic act (supplying components "from the United States") undertaken with a particular intent (namely, that the components be assembled "outside the United States"). But, given that Congress required the infringer to intend a *foreign* combination, nothing in §271(f) remotely suggests that there would be a limit on recovery because the combination and associated lost sales take place *abroad*.

Nor does the text of §284 suggest any limit on recovery just because an otherwise compensable act of domestic infringement foreseeably damaged the victim by depriving it of sales outside the United States. Rather, it is common ground that §284 embodies a policy of full recovery, *see, e.g.*, *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 654-55 (1983),

including foreseeable lost profits, *see, e.g., Yale Lock Mfg. v. Sargent*, 117 U.S. 536, 552 (1886).

ION concedes (at 13, 28-29 & n.10) that the plain language of §271(f) and §284 entitles a victim of §271(f) infringement to recover a royalty for lost foreign sales. And, at times, ION appears to concede (at 28, 42) that Petitioner could have recovered for its lost sales if it had a different business model—exporting its own fully assembled products from the United States, rather than pursuing a vertically-integrated business model. Both concessions underscore the weakness of ION's position. While §284 provides royalties as a floor, its principal guarantee is "damages adequate to compensate for the infringement," and nothing in §284 suggests that royalties are especially territorial. Likewise, nothing in §284 discriminates against vertically-integrated companies that practice their own patents, as helpfully illustrated by the Solicitor General's two Acme-Copycat examples. *See* U.S.Br.13-14 & n.1.

In the end, it is clear that nothing in the text of §271(f) and §284 provides any basis to limit Petitioner's recovery. Instead, ION's effort to limit Petitioner's recovery requires resort to some atextual principle sufficient to trump traditional tools of statutory interpretation. As shown next, the presumption against extraterritoriality provides no justification for deviating from the plain text or defying Congress' evident intent.

II. ION's Arguments For Applying The Presumption Against Extraterritoriality To Limit Damages Caused By The Very Foreign Combinations ION Intended In Violating §271(f) Are Unsound.

A. ION's Arguments Depend on the Demonstrably False Premise That Petitioner Seeks to Recover for a Foreign Injury.

1. ION's argument for limiting Petitioner's damages depends almost entirely on the premise that the presumption against extraterritoriality bars the award because it compensates Petitioner for a "foreign injury." Indeed, ION invokes the "foreign injury" label, or some variant, more than a dozen times. *See, e.g.*, ION.Br. 12-14, 19-25, 31, 35-36, 39. And ION repeatedly relies on that label to analogize this case to *RJR Nabisco*, which limited the specific phrase "injur[y] in business or property" in RICO's private cause of action, 18 U.S.C. §1964(c), to domestic injuries. *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2106 (2016).

The problem for ION is that its premise is demonstrably false. Petitioner, in fact, was *injured* domestically by ION's domestic act of infringement, which invaded Petitioner's U.S. patent and resulted in *damages* that reflected foreign sales that would have occurred but for ION's domestic infringement. In insisting that this domestic infringement inflicted "foreign injury," ION has conflated the legally distinct concepts of injury and damages. That is hardly a trivial error. "Proof of injury (whether or not an injury occurred at all) must be distinguished from calculation

of damages (which determines the actual value of the injury)." *Newton v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 259 F.3d 154, 188 (3d Cir. 2001).

There can be no serious question that the *injury* here is domestic. Patent infringement is a statutory violation akin to a tort, *see, e.g.*, *Schillinger v. United States*, 155 U.S. 163, 169-70 (1894), and the Restatement of Torts makes clear that an injury occurs when "there has been an invasion of a legally protected interest." Restatement (Second) of Torts §7 (1965). Here, under §271(f), the invasion of Petitioner's legally-protected interest in its U.S. patent, which confers exclusive rights only within United States, 35 U.S.C. §154(a)(1), occurred when ION supplied components of Petitioner's patented invention from the United States with the intent that they be combined abroad. That domestic act of patent infringement inflicted a domestic injury. Indeed, ION acknowledges that its right-invading conduct was entirely domestic. *See, e.g.*, ION.Br.27-28, BIO.ii ("infringement is complete upon export"), BIO.5 (§271(f) infringement does not "go beyond acts in the United States"). By contrast, the subsequent combination and use of the components abroad by ION's customers (while it may heighten the damages caused by ION's domestic acts) did not inflict "foreign injuries" on Petitioners because those foreign acts do not invade Petitioner's legally protected interest in its U.S. patents. Although those foreign combinations were fully intended by ION and foreseeably increased Petitioner's damages from ION's domestic infringement, they do not constitute either patent infringement or a legally cognizable foreign injury.

The terms "damages" and "injury" thus stand for two very different things. Numerous state and federal courts, the Restatement, and *Black's Law Dictionary* recognize that, while damages provide redress for an injury, they are separate and apart from the injury itself. *See, e.g., Goodyear v. Discala*, 849 A.2d 791 (Conn. 2004) ("'The concept of 'damages' ... is distinct from the legal injury from which damages arise." (footnote omitted)); *In re Ortiz*, 477 B.R. 714, 727 (E.D. Wis. 2012) ("[I]n ordinary legal usage, there is a distinction between 'injury' and 'damages.'") (citing Black's Law Dictionary (7th ed. 1999)).[1]

This fundamental distinction between the domestic injury or violation and damages has long been acknowledged in patent law and relied upon to uphold damages calculated by reference to lost foreign sales as a remedy for a domestic act of infringement. For example, in *Ketchum Harvester Co. v. Johnson Harvester Co.*, 8 F. 586, 586 (C.C.N.D.N.Y. 1881), the court explained that the patent "gave protection in the United States in making machines in the United States for sale abroad." When the defendant invaded that legally protected interest in the United States, it was "no injustice to attribute to the unlawful act all the consequences which flow from it," including lost foreign sales. *Id.* at 587. Rather, "to deprive the

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[1] *See also West v. St. Louis Pub. Serv. Co.*, 236 S.W.2d 308, 310 (Mo. 1951) (a jury, "credited with common sense and reasonable discernment" would not misunderstand the "'amount of damages' to mean 'nature, character or extent of injuries'"); *City of N. Vernon v. Voegler*, 2 N.E. 821, 824 (Ind. 1885) ("[t]here is a material distinction between damages and injury"); *compare* Restatement (Second) of Torts §7 (defining "injury"), *with id.* §§12A, 902 (defining "damages").

patentee of all damages for unlawful making here, because the article is sold abroad, is to deprive him of part of what his patent secures to him." *Id.*

It is hardly an accident that the injury at issue here is domestic. Responding to this Court's decision in *Deepsouth*, Congress deliberately sought to pinpoint the domestic act of supplying components from the United States (with the intent that they be combined abroad) as the act of infringement that injures a U.S. patent holder, rather than extending U.S. law to prohibit the overseas combination itself. At the same time, however, Congress was necessarily aware that the injured patent holder would typically suffer damage as a result of the intended foreign combination coming to fruition, and it makes no sense to think that Congress wanted to limit compensation to the injured U.S. patent holder because the intended foreign combination and resulting lost sales took place *abroad*. Put differently, Congress, in overruling *Deepsouth*, wanted to provide full compensation for a domestic act that while inflicting domestic *injury* would typically involve *damages* measured in part by lost foreign sales displaced by the very foreign combinations intended as part of the domestic violation.

2. Once it is understood that the injury here is domestic not foreign, ION's attempt to treat this case as a close cousin to *RJR Nabisco* collapses. *RJR Nabisco* was a case about the injury necessary for RICO's private cause of action and not about damages. Indeed, the language of the relevant provision, 18 U.S.C. §1964(c), distinguishes on its face between injury and damages—providing that "[a]ny person

injured in his business or property by reason of a violation of section 1962 ... shall recover threefold the *damages* he sustains" (emphasis added)—and this Court focused only on the need for a domestic injury. Specifically, the Court analyzed which persons were entitled to sue for their injuries, not the damages available to those entitled to sue. Addressing the scope of RICO's private cause of action, and applying the presumption against extraterritoriality in that context, this Court held that, for an injured person to maintain a cause of action, the injury must be domestic. *RJR Nabisco*, 136 S. Ct. at 2106 ("A private RICO plaintiff therefore must allege and prove a *domestic* injury to its business or property."). But nothing in *RJR Nabisco* suggests, let alone holds, that a domestically injured RICO plaintiff could not recover damages from that domestic injury reflecting some foreign component, such as lost foreign sales.[2]

Indeed, if concepts of injury and damages are kept distinct, *RJR Nabisco* affirmatively undermines ION's position. In interpreting §1964(c), the Court ultimately drew a sharp line between recovery for domestic injuries (permissible) and recovery for foreign injuries (impermissible absent clearer language). Here, Congress deliberately made infringement under §271(f) a domestic act, and the resulting injury—the invasion of the U.S. patent

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[2] The analogous Patent Act provision to the *injury* language in §1964(c) analyzed in *RJR Nabisco* is not §284, but §281, which grants a patentee a "remedy by civil action for infringement of his patent." Respondent has nothing to say about §281 because it only underscores that the relevant injury for the Patent Act's cause of action is the "infringement of [Petitioner's] patent," which all agree occurred domestically.

holder's exclusive right—is domestic as well. Thus, under *RJR Nabisco*, the injury suffered by Petitioner falls squarely on the permissible/domestic-injury side of the line.

Finally, it bears emphasis that nothing in *RJR Nabisco* suggests that damages suffered as result of a domestic injury are suspect, just because they reflect activity with a foreign component. The Court did not so much as hint that, *even if* a private RICO plaintiff alleges and proves a domestic injury, the presumption against extraterritoriality should be applied yet again, to the next clause in §1964(c), to limit damages with a foreign component.[3] Nor does *RJR Nabisco* suggest any reason why applying the presumption to damages from domestic injuries would make any sense or advance the concerns that animate the presumption. Thus, ION's efforts to apply the presumption against extraterritoriality in a case of domestic injury and to apply it to a damages provision are both entirely unprecedented.

Apart from its flawed reliance on *RJR Nabisco*, ION makes no serious attempt to explain why the injury inflicted by its domestic act of infringement is anything but domestic. Rather, "[t]he best evidence" ION offers that Petitioner suffered "foreign injury" is that *Petitioner's brief* refers to "foreign profits" or uses similar phrases. ION.Br.23. A shorthand reference to *damages* in an opposing party's brief is an odd place to look for evidence of *injury*. In fact, the phrase "foreign

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[3] For example, nothing in *RJR Nabisco* suggests that if mobsters torched a warehouse near Baltimore's harbor the amount of recovery would turn on whether the contents were destined for foreign or domestic sale.

profits" originates with the Federal Circuit, *see* Pet.App.45a, not Petitioner. And the critical point was and remains that the Federal Circuit's use of the presumption to limit damages from a domestic injury/act-of-infringement just because the lost profits would have been earned abroad through sales displaced by ION's domestic actions is fundamentally mistaken. If Petitioner's references to the inapplicability of the presumption to damages for lost "foreign profits" are ION's "best evidence" that the injuries here were foreign, it has no evidence at all.

B. Even if the Presumption Applies, the Plain Text and Evident Intent of §271(f) Satisfy It.

As Petitioner explained in its opening brief, because §271(f) prohibits a domestic act of infringement, which inflicts a domestic injury, the presumption against extraterritoriality is inapplicable here. *See* Pet.Br.28-34. But even if the presumption were extended beyond its recognized application to foreign conduct and foreign injury, it would be rebutted here. Section 271(f) not only prohibits a particular domestic act of infringement, but it prohibits a domestic act (supplying components from the United States) with a foreign-focused intent (that the components be assembled abroad in a manner that would infringe if it occurred in the United States). While the foreign combination need not actually occur for §271(f) to be violated, the intended foreign combination will in fact occur in the vast majority of cases, and it will occur abroad. That is all precisely as Congress anticipated. Thus, to limit the recovery

because the intended *foreign* combinations caused damage *abroad* is to ignore Congress' evident intent.

ION's principal answer to this is to try to change the subject. Indeed, ION quite literally rewrites the question presented to focus on §284 and insists that the extraterritoriality analysis must focus on that damages provision alone, without reference to §271(f). There are multiple problems with that blinkered approach, even beyond the undeniable fact that this Court granted certiorari on a question addressed to §271(f), and not §284.

First, ION's blinkered approach is inconsistent with basic principles of statutory interpretation. It is a "fundamental canon of statutory construction" that "the words of a statute must be read in their context and with a view to their place in the overall statutory scheme." *Util. Air Regulatory Grp. v. EPA*, 134 S. Ct. 2427, 2441 (2014). That canon does not depend—as ION suggests (at 26 & n.7)—on whether different parts of a statute were placed in the U.S. Code simultaneously or at different times. *See, e.g., Merit Mgmt. Grp., LP v. FTI Consulting, Inc.*, 138 S. Ct. 883, 895 (2018) (construing amendment to the Bankruptcy Code in context of earlier-enacted provisions).

The importance of considering "the overall statutory scheme" has particular force in the context of damages provisions in general and §284 in particular. Damages provisions make little sense divorced from the liability-imposing provisions they complement, and §284 references §271 by authorizing "damages adequate to compensate *for the infringement*." (emphasis added). The infringement here is ION's violation of §271(f).

Moreover, ION's approach contradicts the methodology employed in this Court's extraterritoriality cases. In *RJR Nabisco*, for example, the Court rejected an invitation to isolate the "patterns of racketeering" language in 18 U.S.C. §1962, note the absence of a reference to "foreign racketeering" in "RICO itself," and call it a day. 136 S. Ct. at 2102. Rather than adopt "such a constricted approach," the Court looked to the referenced predicate acts and acknowledged that some of them prohibited foreign conduct. *Id.* More broadly, the Court noted that "[a]ssuredly context can be consulted" and found context "dispositive." 136 S.Ct. at 2102 (quotation omitted).

Here, context requires consideration of §271(f). As noted, §284 provides for "damages adequate to compensate *for the infringement*." (emphasis added). The infringement here is a violation of §271(f), and thus Congress expressly provided for compensation for domestic infringement that typically involves combinations of components abroad. In short, both the text and context of §284 demand consideration of Congress' deliberate judgment in §271(f).

It is readily apparent, of course, why ION tries so hard to keep the Court from looking at §271(f). ION.Br.25 (describing §271(f) as "the wrong provision"). In that provision, Congress not only made clear which actions "in or from the United States" would trigger liability, but was explicit that the domestic infringer must induce or intend the components to be combined "outside of the United States." When the intended foreign combination

occurs, there is no plausible basis for limiting damages because the damaging combination occurred abroad.

Applying ION's blinkered approach has the additional defect that taken to its logical conclusion, it would mean there is no compensation whatsoever for the vast majority of §271(f) violations. After all, nothing in §284, including its language concerning reasonable royalties, is expressly extraterritorial. ION nonetheless suggests that Petitioner may recover *royalties* (but not lost profits) associated with foreign sales. ION.Br.13, 28-29 & n.10. That concession is fatal to ION's case.

ION suggests that "[i]n calculating a reasonable royalty," "a factfinder *may consider the expected foreign use* of an object"—though in the royalty *rate* rather than the *base*. ION.Br.29 n.10 (emphasis added). This apparent attempt to escape the consequences of ION's own look-only-to-§284 rule draws an imaginary distinction with no basis in §284. With respect to the permissibility of so-called "foreign use" evidence, Congress made no distinctions between lost profits and royalties or between rates and bases in §284 or anywhere else. For ION to concede that evidence of "foreign use" is properly part of any damages analysis, despite the absence of any express authorization in §284, leaves ION without any coherent basis to resist the use of such evidence in quantifying Petitioner's lost profits.

ION suggests otherwise by insisting that here "foreign activity did not merely shed light on the existence of liability or a domestic injury; the damages were compensation *for* the foreign activity." ION.Br.35. But that is doubly incoherent. First, the

damages do not compensate *for* any *foreign activity*, they compensate *for domestic* infringement that results in the victim's foreign *in*activity, *i.e.*, the *absence* of foreign sales and profits by Petitioner. More fundamentally, ION once again conflates injury and damages. II.A, *supra*. Petitioner is being compensated for a domestic injury inflicted by ION's domestic infringement, and that is equally true whether compensation for that domestic injury takes the form of a lost profits award or a reasonable royalty for "foreign use" of the combined components. Nor does it make sense to prefer a hypothetical royalty to more accurate evidence of the damage actually inflicted by ION's §271(f) violation. If courts can permissibly consider "expected foreign use" to formulate a royalty rate, ION.Br.29 n.10, they must necessarily be able to consider evidence of *actual* foreign sales lost because of domestic infringement.

Finally, even setting aside ION's fatal concession, and even accepting its argument that §284 must be analyzed in isolation and subjected to the wooden extraterritoriality analysis that ION suggests, the decision below must still be reversed. As the Solicitor General has argued, applying "step two" of *RJR Nabisco*, it is plain that the "application" and "focus" of §284 here are domestic—providing compensation for "the [domestic] infringement," not policing or prohibiting the foreign combinations themselves. *See* U.S.Br.33; *see also* IPOA.Br.19-21; IP.Scholars.Br.13. ION responds that "[t]he statute's 'focus' ... is self-evidently on the award of damages." ION.Br.22. But since it is an award of damages by a domestic court for a domestic act of infringing a U.S. patent, it is hard to escape the conclusion that the application and focus of

§284 are domestic, even when full compensation for the domestic infringement involves a measure of damages that reflects the reality that ION's domestic infringement cost Petitioner at least ten contracts for services that otherwise would have been provided on the high seas.

C. The Presumption Does Not Apply to Damages for Injuries Congress Plainly Intended to Redress.

ION's demand that the Patent Act's damages provision expressly and independently indicate an intent to allow damages reflecting foreign lost sales or wages suffers an even greater defect: the presumption simply does not apply to damages provisions. Rather than attempting to directly regulate any actual conduct, damages largely seek to reconstruct what would have occurred in the absence of a legal injury. That counterfactual reconstruction effort does not implicate comity interests or the presumption against extraterritoriality. Once Congress has made clear that it wants to redress an injury—whether domestic or foreign—the general rule is and should be that damages are available without any special disability for foreign lost sales or wages—or any need for special clarity on the part of Congress. ION is forced to concede that the common law allows for the recovery of foreign lost sales or wages. Nothing in common sense or this Court's cases presumptively requires a contrary rule for statutory damages provisions. Instead, there is every reason to believe Congress intends to incorporate the common law, which is consistent with over a century of this Court's patent

cases. There is no reason to deviate from that precedent and multiple reasons to reaffirm it.[4]

First, as Petitioner noted in its opening brief, there are multiple statutes in which Congress has coupled an expressly extraterritorial liability provision with a generic damages provision. *See* Pet.Br.40 & n.10. Application of ION's clear-statement-in-the-damages-provision approach to those statutes would gut Congress' evident intent in prohibiting *and* remedying specific extraterritorial conduct just as dramatically as ION's position would eviscerate §271(f). ION's response to these multiple examples is telling. It quibbles about one, the ADEA, and says nothing about the rest. ION.Br.32-33. Even ION's quibble is misplaced because it rests on its misreading of *RJR Nabisco*. But ION's silence on the other statutes is truly revealing. Once Congress has made clear it wants to prohibit certain foreign conduct (or, as in §271(f), certain domestic conduct with intended foreign effects), asking the accompanying damages provision to expressly authorize damages with a foreign component is to demand redundancy and to frustrate, rather than effectuate, Congress' evident intent.

Second, even in the context of purely domestic prohibitions, such as the unauthorized making of a

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[4] Rather than grapple with Petitioner's actual arguments, ION prefers to attribute to Petitioner and then knock down a "single pass" rule and the argument that the presumption applies only to regulation of primary conduct. IONBr.31-33. Petitioner never made either argument, and ION's enthusiasm for tackling those strawmen leaves it with little defense for the unprecedented step of applying the presumption to a damages provision.

patented article in the United States, longstanding precedent of this Court, and lower federal courts, rejects the notion that foreign sales foreseeably lost by virtue of domestic misconduct are unrecoverable. This rule is particularly longstanding and well-established in the patent context. *See, e.g., Goulds Mfg. Co. v. Cowing*, 105 U.S. 253 (1882); *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641 (1915); *Ketchum*, 8 F. at 587. Without suggesting that any of those cases have been superseded or were wrongly decided, ION simply derides them as "century-old cases." ION.Br.25, 39. But this Court's cases do not come with expiration dates. *See, e.g., Kimble v. Marvel Entm't LLC*, 135 S. Ct. 2401 (2015) (reaffirming *Brulotte v. Thys Co.*, 379 U.S. 29 (1964)).

ION attempts to distinguish these cases by distinguishing the business models of the patentees in those cases from Petitioner's, and suggesting that the lost foreign sales in those cases were somehow more "domestic." ION.Br.39-42. But to the extent that ION is arguing that lost foreign profits are recoverable when the lost foreign sales would have been exports of goods, but not when the patent holder would have used its patent to perform a service abroad, its position has truly devolved into incoherence. Nothing in the patent laws or the presumption draws such a distinction or disadvantages U.S. patent holders who practice their own patents. And to the extent that ION perceives the exporter to have suffered a more domestic *injury*, that just reflects ION's conflation of injury and damages. *See* II.A, *supra*.

Third, in civil cases generally, courts routinely award damages for unlawful domestic conduct,

quantified by reference to foreign activities, without any suggestion that that practice implicates comity concerns or triggers the presumption against extraterritoriality. Pet.Br.44-46 & n.11. ION responds, yet again, with its "foreign injury" premise, contending that Petitioner's real "injury" is inflicted by ION's customers abroad rather than by ION domestically, ION.Br.38-39. But Petitioner's *injury* is most certainly inflicted by ION's domestic infringement and not by foreign third-party actions, which do not violate Petitioner's U.S. patent rights but may exacerbate the damages caused by ION's domestic infringement. *See supra.* ION remains accountable for the foreseeable consequences of its domestic infringement, just as someone tortiously injuring a foreign tourist here must account for foreign lost wages or medical bills or a buyer injured by a breached sales contract here can recover lost profits based on its inability to execute a planned resale abroad. *Id.* There is no relevant distinction between those examples and this case, and only by conflating the concepts of injury and damages can ION contend otherwise.

ION concedes that the common law permits such "foreign" recoveries, but suggests that the presumption against extraterritoriality may not apply to common law actions. ION.Br.38. That would seem to get matters backwards. There is no logical reason for making it easier for state judges to create friction with foreign sovereigns than for Congress to do the same. That said, by allowing make-whole damages for domestic injuries, even when the calculation reflects lost foreign sales or wages, the common-law rule promotes comity. It would hardly further foreign

relations for a foreign tourist or diplomat injured in Philadelphia to receive less compensation than a comparably injured Philadelphian just because the foreign victim's damages award reflects lost wages in a foreign workplace or medical bills from a foreign hospital.

ION's concession about the common law ignores that the compensatory damages authorized by many federal statutes including the Patent Act—*i.e.*, "damages adequate to compensate"—reflect Congress' adoption of a common-law remedy. 35 U.S.C. §284; Yelderman.Br.4-5. When Congress adopts a common-law term without supplying a definition, it is generally assumed to have adopted the cluster of ideas associated with that term. *FAA v. Cooper*, 566 U.S. 284, 291-92 (2012). This Court's precedent already recognizes that §284 entitles prevailing patent plaintiffs to the traditional tort measure of damages, *see, e.g.*, *Gen. Motors*, 461 U.S. at 654-56; *Yale Lock*, 117 U.S. at 552, and the common-law rule allowing damages to account for foreign lost wages and sales is just an additional aspect of the common law incorporated into §284.

Finally, ION contends that copyright's predicate-act doctrine depends on a constructive-trust rationale limited to a disgorgement-of-profits remedy and thus inapplicable to make-whole damages under the Patent Act. ION.Br.44-46. But the same basic logic applies to disgorgement and damages, and, if anything, it is harder to explain why a copyright infringer must disgorge its profits from the non-infringing foreign exhibition of a film *in addition to* paying the victim's actual damages for the domestic act of infringement.

See 17 U.S.C. §504(a) (authorizing recovery of "actual damages and any additional profits of the infringer"). Judge Hand nonetheless allowed disgorgement of profits from the foreign exhibitions by tracing them back to the predicate act of making negatives here, which "was a tort ... in this country." *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939). In reaching that conclusion, Judge Hand relied on the domestic nature of the predicate "tort" and this Court's patent decisions in *Goulds* and *Dowagiac*. The notion that comparable principles do not apply (if anything, *a fortiori*) to make-whole damages in patent cases is specious.

D. ION's Policy Arguments Miss the Mark.

ION rounds out its brief with concerns about "comity" and unbounded "worldwide patent damages." Those concerns are misplaced. There are no "comity" concerns with ensuring that compensation for §271(f) infringement makes the victim whole for the foreseeable consequences of the domestic infringement including the very intended foreign combinations necessary for a §271(f) violation. Similarly, principles of proximate cause can weed out unreasonable and extravagant damage theories.

1. ION raises the specter that allowing damages that compensate a patentholder for the full extent of its damages will cause friction with foreign countries and related "comity" concerns. There are multiple problems with that submission not the least of which is ION's inability to point to any serious comity concerns or foreign-country complaints during the decades in which the rule laid down in *Goulds* and *Dowagiac* (and *Ketchum*) held sway. Nor can ION

point to comity concerns or protests concerning the common-law rule or copyright's predicate-act doctrine. *See* U.S.Br.21. Nor, despite ION's dire warnings about the threat to comity posed by this case, have any foreign governments stepped forward to file amicus briefs urging affirmance. This chorus of non-barking dogs is telling. If there were any real "comity" concerns with the well-established principle that damage awards may reflect lost foreign wages and sales, complaints would be audible.

Moreover, Congress itself accommodated comity concerns and minimized friction by responding to *Deepsouth* with the distinct approach of §271(f). Instead of making certain foreign combinations of components an act of infringement, Congress took the more comity-friendly approach of defining a specific domestic act of infringement and making the domestic infringer liable for the resulting damages, including those caused by the very foreign combinations the domestic infringer intended.

Congress' specific mode of responding to *Deepsouth* also answers ION's suggestion that Petitioner should try to enforce its foreign patents rather than seek full compensation for §271(f) infringement. Even after *Deepsouth*, patent holders retained the option of enforcing their foreign patents. If Congress wanted to leave inventors to that option, it would have responded to *Deepsouth* with nothing. Instead, it took action to give companies like Petitioner a remedy for infringement of their U.S. patents by domestic conduct that would predictably lead to combinations abroad. ION suggests in passing (at 50) that allowing damages in a case like this might

put the United States out of compliance with its obligations under certain international agreements. Suffice it to say that the United States is fully cognizant of its international obligations and supports reversal of the Federal Circuit's decision.

2. As to proximate cause, ION suggests that proximate-causation limits were not enough to carry the day in *RJR Nabisco*, but that case about the need for domestic injury is distinguishable for all the reasons explained above. ION worries that juries cannot "take into account comity considerations," ION.Br.51, but ION's comity concerns are misplaced and juries are certainly up to the task of making determinations about the speculativeness and foreseeability of damages. *See* JA70 (instructing jury that Petitioner not entitled to "damages that are remote or speculative"). Of course, when an infringer like ION supplies components from the United States with the intent that they be combined abroad, damages resulting from that foreign combination are likely to be entirely foreseeable (in a manner that may not be the case for other forms of infringement). Here, moreover, despite ION's grousing about the size of the award, Petitioner proved its lost profits based on ten specific contracts it lost as a direct result of ION's infringing effort to target a lucrative market Petitioner had pioneered. There was nothing speculative about that demonstration of concrete loss.

ION ends its brief (at 53) with a suggestion that Petitioner direct its concerns to Congress. But Congress could be excused for thinking it has done its work here in enacting §271(f) as a response to *Deepsouth*. Having made supplying components from

the United States with the intent that they be combined abroad an act of domestic infringement and having provided for damages, including lost profits, Congress would be surprised to find it must do something more to specify that damages are available even when the intended foreign combination and associated lost sales take place abroad. Telling Congress that such redundancy is required will not prompt a healthy interbranch dialogue or vindicate the purpose of interpretive canons, which is, after all, to elucidate Congress' evident intent. There is, of course, no need to prompt such congressional headscratching. This Court has never applied the presumption against extraterritoriality in a case of domestic injury. It has never applied the presumption to a damages provision. And it has never suggested that a prohibition on supplying components with an intent that they be combined abroad is insufficient to allow compensation for damages occasioned when the intended foreign combination comes to fruition. This case should not be the first.

CONCLUSION

The Court should reverse the decision below.

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